

**MINUTES OF THE MEEETING  
OF THE BOARD OF DIRECTORS OF  
THE DEPARTMENT OF WATERWORKS**

**Date: December 18, 2003**

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The Board of Directors (the "Board") of the Department of Waterworks (the "Department") met at 5:30 p.m. at 200 East Washington Street, Indianapolis, Indiana in the Public Assembly Room of the City-County Building. The following Board members were in attendance: Samuel L. Odle, John Mutz, S. Michael Hudson, Jack Bayt and Barbara Howard.

**I. Approval of the Minutes of the November 20, 2003 Meeting**

Chairperson Odle asked for motions to approve the minutes of the meeting of the Board as of November 20, 2003 as set forth in Exhibit A, attached hereto and made a part hereof (the "Minutes"). A motion was made and seconded for approval of the Minutes. The Board unanimously approved the Minutes.

**II. Financial Report of the Department**

Robert Erney, Financial Manager of the Department, presented his report as set forth in Exhibit B, attached hereto and made a part hereof (the "Financial Report").

Chairperson Odle asked if connections have increased by 5,000 why is there a decline in revenue from November 2002.

Robert Erney responded that it's not billed revenue but reflects cash in the door.

**III. USFilter Indianapolis Water LLC ("USFIW") Report**

Tim Hewitt of USFIW issued his report as set forth in Exhibit C, attached hereto and made a part hereof ("USFIW Report").

Carmen Hansen-Rivera joined in attendance as a Board member at 5:45 p.m.

Phil Bayt asked if connections increased by 5,000 why is revenue pumpage down.

Jeff Dieterlen of USFIW replied that compared to November 2002 pumpage is actually up because of the warm weather in late 2003.

Tim Hewitt stated that he would provide to the Board an analysis for the next Board meeting.

Barbara Howard asked how does USFilter detect a water main break.

David Gadis of USFIW replied via the CCS System and the detection of a pressure problem and via phone calls.

Barbara Howard further asked how work is verified.

Mr. Gadis stated all work is verified within 1 hour.

#### **IV. Report of the Directors of Contracts and Operations of the Department**

Ms. Angela Clerget delivered a report as set forth in Exhibit D, attached hereto and made a part hereof (the "Department Report"), in lieu of Carlton Curry's absence.

Kobi M. Wright, Special Assistant Corporation Counsel, added that the Indiana Utility Regulatory Commission ("IURC") has issued an order finding Boone County Utilities LLC ("BCU") as a troubled utility and out of compliance with the IURC's March 12, 2002 order. He added that the IURC on February 2, 2004 will begin to hear proposals to purchase BCU and that the Department's staff is working to determine how the Department would be involved in this matter.

Mr. Wright also stated that Carmel has approached the Department again as it did three months ago concerning an amendment of Hazen and Sawyer's current contracted amount to increase such amount from \$75, 000 to \$123, 0000. He added that unlike three months ago, Hazen has now spent the amount of the original contract and it is now comfortable with the software model provided by USFIW which Hazen needs to use to issue its report including a margin of error rate. He added that staff therefore recommends to the Board that staff be directed to move forward with the increased engagement.

Mr. Hudson asked if this is characterized as an overrun.

Mr. Wright stated he believes Mr. Hudson is correct, however, that Hazen has stated that it did not expect to have the difficulties it has had to obtain a workable model. He added that Mr. Curry has attempted to remedy this by suggesting a margin of error rate to move things forward. He further added that an agreement has been reached as to the error rate while also advancing on the model itself. He added that during this period, Hazen was continuing to work and bill Carmel and the Department, thus, now the original engagement has been spent.

Mr. Hudson asked if BCU is in bankruptcy and if the Department is being paid.

Mr. Wright stated affirmatively.

Chairperson Odle asked if the original Hazen contract states that the Department would agree to a new engagement level in the event of difficulty with the model.

Mr. Wright stated no and added that the only reason he would suggest the Board move forward is to move the work forward given Carmel and the Department chose Hazen jointly.

Chairperson Odle directed staff to move forward with an additional engagement if staff has a sound business reason to move forward then we should move forward.

**V. Financing Alternatives for \$50 Million Capital Improvement Bond Issuance- Robert Clifford, Executive Director of Indianapolis Local Public Improvement Bond Bank and James Merten, City Securities Corporation**

Mr. Clifford presented a report on financing alternative for the \$50 million capital improvement bond issuance as set forth in Exhibit E, attached hereto and made a part hereof (the “Bond Report”).

Vice Chairperson Mutz stated that he supported the floating rate option and it makes good sense for this situation, but recommended that councilmen Borst and Boyd be briefed on what the intentions are.

Mike Hudson stated that these are revenue bonds and they are paid with capital investments revenue.

Mr. Clifford affirmed Mr. Hudson’s comment.

Chairperson Odle asked if minority businesses would be involved in this process.

Mr. Clifford responded yes, that action would be taken.

**VI. Analysis of Triton Schools Capital Improvement-Lane Birch, Goldwest LLC**

Mr. Birch presented his analysis concerning the Triton schools capital improvement as set forth in Exhibit F, attached hereto and made a part hereof (the “Triton Analysis”).

Vice Chairperson Mutz stated that it appears from the Triton Analysis that the Triton School System is going to put money upfront to support this main extension.

Mr. Birch affirmed Vice chairperson Mutz’s statement.

Jack Bayt asked the main extension is going to be in Shelby County.

Mr. Birch replied yes.

Vice Chairperson Mutz stated the 200 plus land acreage makes the property value go up. He then asked if the adjacent land owners are being charged for this improvement and what benefit is it to the Marion County rate payers.

Mr. Birch replied that it’s an over all gain and a positive situation for all.

Vice Chairperson Mutz asked is this factored into the bond issuance.

Robert Erney replied that yes it is.

Mr. Bayt stated that the Department should be watchful as to whether Shelby County could turn around at a later date and buy back the Department's assets similar to what may occur with Carmel.

Mr. Wright stated Shelby County does not have the ability to condemn the Department's assets and as to Carmel, the Department entered into its settlement agreement with Carmel prior to the acquisition of the water company's assets. He added that Shelby County is not in a similar position.

Chairperson Odle asked when will the Department be at a point where Marion County customers do not subsidize these extensions.

Mr. Birch stated the net present value per the Triton Analysis would be at zero per Scenario #3 of the Triton Analysis.

Chairperson Odle asked if the Department may enter into contracts with adjacent landowners or developers for this extension.

Mr. Wright stated that per IURC approved rules, regulations and statutes, the Department may enter into special contracts, however, that it is limited as to how the Department could receive remuneration from adjacent landowners for the extension unless the extension actually serves such adjacent landowners. Chairperson Odle added that recouping the Department's capital investment is a challenge for the Department's business model because recoupment is likely to occur far out from the investment.

**VII. Resolution No. 27, 2003-Transfer of .16 Acres at 1201 Waterway Boulevard to BRS LP-Kobi Wright**

Mr. Wright summarized the resolution.

Chairperson Odle asked for any discussion on the matter. Hearing none, Chairperson Odle asked for a motion to adopt the resolution. A motion was made and seconded. The Board unanimously adopted Resolution No. 27, 2003.

**VIII. Resolution No. 28, 2003- Approval of Capital Projects-Robert Erney, Financial Manager**

Mr. Erney summarized the resolution.

Chairperson Odle asked for any discussion on the matter. Hearing none, Chairperson Odle asked for a motion to adopt the resolution. A motion was made and seconded. The Board unanimously adopted Resolution No. 28, 2003.

**IX. Resolution No. 29, 2003-Approval of Collection Policy, Robert Erney, Financial Manager**

Mr. Erney summarized the resolution.

Vice chairperson Mutz asked if this policy would improve collections.

Mr. Erney stated it would and that it is customer friendly.

Vice chairperson Mutz asked if the policy must be approved by the IURC.

Mr. Erney stated that the IURC has reviewed the policy and believes that it is more lenient than the current Department's rules approved by the IURC regarding the Department's collections.

Mr. Wright stated that as long as the policy is not out of compliance with the Department's IURC rules then the Department can implement the policy.

Chairperson Odle asked for any discussion on the matter. Hearing none, Chairperson Odle asked for a motion to adopt the resolution. A motion was made and seconded. The Board unanimously adopted Resolution No. 28, 2003.

**IX. Other Business**

Mike Hudson presented to the board a letter he received concerning a wastewater treatment plant in Hendricks county and north of Eagle Creek Reservoir. He stated that Mr. Curry and USFIW assist in this matter. Chairperson Odle directed Mr. Wright to move forward with this matter as well.

Vice Chairperson Mutz informed the Board that he is resigning from the Board at the end of this month for personal reasons and thanked the members. He stated that he has experienced a great deal of cooperation with other Board members and has developed friendships with them.

He added that the Department is operating under a unique business model and partnership with USFilter. He added that this business is no longer a for profit business but responsive to the public. He stated that in a bigger sense when the Department moves forward to raise capital via bonds on the credit rating of Marion County, utilizing methods such as the Triton Analysis should be considered. He added that he believes that a comprehensive big picture of the Department's growth policy should address whether assisting economic development outside of Marion County as with Triton is a factor in the utility's future.

Chairperson Odle thanked Vice chairperson Mutz for his service.

Chairperson Odle asked if there were any public comments. Hearing none, Chairperson Odle adjourned the meeting at 6:50 p.m.

Approved as of the 22<sup>nd</sup> day of January 2004.

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Samuel Odle, Chairperson

Attest:

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S. Michael Hudson, Secretary-  
Treasurer